

Development in the City of Falls Church: Trends, Opportunities and Challenges

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About Akridge

- Over 33 years of Washington, D.C. real estate experience
- Approximately 10 million square feet of space acquired/developed
- Full Service Organization – 165 employees
- Partners include leading institutional investors such as: Prudential, RREEF, ING Clarion, Morgan Stanley, Cornerstone, Akridge Office Fund
- Winner of numerous local and national awards
- Average portfolio occupancy – 99% since 1976



Falls Church – the location



Falls Church – The Potential

- The personality
- Build on what works
- Incorporate new uses
- Positive Economic impact



Falls Church Office Development

- What attracts office users?
 - Economics
 - Sense of place/uniqueness
 - Other office users (agglomeration)



Place Making: Falls Church – the Village



“Come Home to Falls Church...

...the crossroads of History and Technology.”

How to Bring Office Users

- Target specific user groups
 - Trade associations
 - Small professional firms
- Example – Old Town
- Easy sites developed



Density Considerations

- Use increased density to effectuate desired change
- Residential → Retail → Office
- Increased zoning density encourages redevelopment



Economics of Density – Encouraging Desired Changes

Existing office building in Falls Church Surface Parking

2 acre site

95% rentable

0.4 FAR

\$25.00 psf Full Service

34,850 SF building

\$17.00 psf NNN

33,107 SF

Net Income

\$ 562,828

Value Capped at 7%

\$8,040,392

Density at 3 FAR

261,360 SF x 52.50= **\$13,721,400**

5 FAR

435,600 SF x 52.50= **\$22,869,000**

\$65 FAR Residential

\$15 FAR Office

Blended Rate \$52.50 psf FAR

75% Residential
25% Commercial

How to Increase Density

- Target density near Metro stations.
5 FAR in close proximity to Metro,
tapering to 3 FAR on Broad Street and Washington Street
- Encourage consolidation of small parcels with bonus densities
- Insist on good design
- Reducing uncertainty with regard to proffers
- Optional Method of Development (Montgomery County)



Economics of Underground Parking

1000 SF Residential

1.5 spaces @ \$30,000/space = **\$45,000**

\$45 psf FAR

1000 SF Office

3.3 spaces at \$30,000/space = **\$99,000**

\$99 psf FAR or 33% of the cost of an office building

- City evolving
- Urban parking strategy/shared parking in mixed-use projects
- Impact of Metro, George bus, Zip Car

The Market & Flexibility

- Changing market conditions
- Office to mixed-use post 9/11 and tech bubble
- Condos to apartments post housing bubble
- Markets constantly changing
 - Switching uses
 - Pre-construction
 - During construction
- Entitlement flexibility – formed based code, etc.



Affordable Housing

- Goal to provide and encourage provision of ADU's
 - Incentives
 - Simplified process
- Cash contribution option vs. on-site
- Broaden geographic scope

Affordable Housing – Current City Policy

On-site Concrete with Elevator Building vs. Off-site Garden Style Buildings

Example: The Spectrum at 444 W. Broad

Land	96,853 SF
Residential (191 units)	291,000 SF
Office:	32,000 SF
Retail:	28,600 SF
	351,600

Under Current City Policy

City of Falls Church Will Receive:

8 ADUs at 725 SF/unit

Affordable Housing – Cash Contribution Option

Arlington County Requirements:

- 1) If built on-site, 5% over an FAR of 1.0
- 2) Cash contribution:
 - \$1.50 psf to an FAR of 1.0
 - \$4.00 psf for FAR between 1.0 and 3.0
 - \$8.00 psf (residential) and \$4.00 psf (commercial) for FAR 3.0

City of Falls Church will receive: \$1,366,349
 Using a VHDA First Mortgage Loan at 83% of Total Project cost (generic 50 apt est.)

Total funds available for Off-site project \$8,037,345

Based on Garden-Style Apt Construction Costs

Cost

Land		\$ 65 psf
Sitework		\$ 8 psf
Building		\$ 90 psf
Soft cost	18%	\$ 18 psf
Financing	10%	\$ 10 psf
		\$190 psf

At 725 SF per unit: \$138,069 per unit

City of Falls Church Will Receive: 58 ADUs at 725 SF/unit

Affordable Housing

Cash Contributions – more effective and more efficient

8 ADUs at 725 SF/unit – Current City policy

58 ADUs at 725 SF/unit – Utilizing cash contributions

Conclusion

- Unique opportunities here – great potential
- Marketing effort for the City – public/private partnership
- Encourage development
 - Increase density
 - Definitive proffers
 - Optional Method
- Affordable Housing options to produce more units

